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September 9, 2005

John F. Carter, Director
Federal Deposit Insurance Corporation
San Francisco Regional Office, Suite 2300
25 Jessie Street
San Francisco, CA 94105

Re: Wal-Mart Banking Application

Dear Mr. Carter,

I am a banker. I own a small newspaper and a Bed and Breakfast. I am also the president of the Hotchkiss, Colorado Chamber of Commerce and have served as a town councilman. My experience in banking, business, and the community as a whole is significant, and I do hope that you will consider some of my concerns regarding Wal-Mart – or any retailer for that matter – entering the banking arena.

I understand that Wal-Mart wishes to operate an "Industrial Bank" for initial purposes that include permitting the ability to use that bank as a sponsor for their credit card processing program. This would save the retailer significant dollars in credit card processing fees. Speculation is strong that this Industrial Bank would then serve as a jumping off point for offering consumer banking services in the future.

This intended move into banking could be damaging to banking in America as well as to the retail sector. Here are my reasons. Common knowledge, and a rudimentary understanding of the free market system, makes Wal-Mart's retail advantage clear: Buy in quantity, pressure vendors on price, sell low and win. While smaller retailers have trouble competing with this economic might, there is nothing illegal in this practice.

My concerns for the retail sector are two. Wal-Mart is already able to negotiate preferred pricing not only on merchandise, but also on its credit card processing fees. Allowing Wal-Mart to reduce credit card processing costs, by forming a company owned bank - when other smaller retailers cannot do the same – is clearly anti-competitive and a corruption of the free market concept. My fear is that large retailers such as Wal-Mart are working feverishly to establish an environment where a retail monopoly is not far fetched. In this geographic area, there are no retailers in the same league as Wal-Mart. Those that do exist have found a niche un-served or underserved by Wal-Mart. While the situation here is not a de facto monopoly, it is an effective monopoly in several retail sectors. I do not see this as serving the interests of the public and I do not see Wal-Mart's attempt to cut competition further through reducing card processing costs as a fair retail practice.

My second concern involves a potential conflict of interest. Should Wal-Mart be permitted to move into retail banking and presumably serve other business customers, there would be at the very least, the appearance of a conflict of interest. Would Wal-Mart favor vendors and disfavor retail competitors in credit decisions? I should hope not, but the incentive would be there. Similarly, should Wal-Mart issue their own credit or debit cards through a retail bank, would there be pressure on consumers to favor Wal-Mart and it's sister companies in purchase decisions through incentives or disincentives? Hopefully not, however, again, the incentive would be there.

The Federal Government has one and only one mandate – to govern for the benefit of its citizens. This does not include permitting an economic environment that favors some over others. I believe that giving a go ahead for a Wal-Mart owned bank would be just the sort of economic scale tipping that does harm to the citizens of this country. Thank you for your time in considering my views.

Sincerely,



Nathan R. Sponseller
North Fork Merchant Herald
The Stone House Inn
First State Bank of Hotchkiss, Product Coordinator/Marketing
Hotchkiss Chamber of Commerce, President